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Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 31, 1959



OFFICERS

H. H. Corey	-	-	-	-	Chairman of the Board
R. F. Gray	-	-	-	-	President
M. B. Thompson	-	-	-	Executive	Vice President
R. D. Arney	-	-	-	-	Vice President
E. J. Garrity	-	-	-	-	Vice President
R. D. Gower	-	-	-	-	Vice President
T. H. Hocker	-	-	-	-	Vice President
John R. Jones	-	-	-	-	Vice President
Clarence A. Nockleby	-	-	-	-	Vice President
J. L. Olson	-	-	-	-	Vice President
Fayette Sherman	-	-	-	-	Vice President
Geo. W. Ryan	-	-	-	-	Treasurer
I. J. Holton	-	-	-	-	Secretary
E. H. Larson	-	-	-	-	Controller
R. C. Dougherty	-	-	-	-	Assistant Secretary
E. C. Alsaker	-	-	-	-	Assistant Controller
R. H. Biedermann	-	-	-	-	Assistant Controller

DIRECTORS

R. D. Arney
H. H. Corey
R. D. Gower
R. F. Gray
T. H. Hocker
O. L. Marquesen
Gordon Murray
Clarence A. Nockleby
J. L. Olson
Geo. W. Ryan
Fayette Sherman
M. B. Thompson

Austin, Minnesota
December 1, 1959

To the Stockholders of
Geo. A. Hormel & Company

Geo. A. Hormel & Company has completed another year of continued development and growth. The management presents herewith a financial report of that progress for the year (53 weeks) which ended October 31, 1959.

Dollar sales for the year again reached a new high—\$401,722,839, after returns and allowances. For the first time, sales exceeded four hundred million dollars. The increase over last year is 7.6%.

Sales tonnage for the year was 1,166,713,194 pounds, an all-time high, and an increase over last year of 165,304,164 pounds, or 16.5%. It is the fifth consecutive year in which tonnage has exceeded one billion pounds.

After providing \$7,667,337 for all taxes, net earnings for the year were \$5,839,104. The sum of \$5,752,380 of these earnings is applicable to common stock, or \$10.22 a share as compared with \$5.18 a year ago.

The increase in volume is due primarily to a more plentiful supply of hogs for slaughter. The acquisition of beef processing materials continued to be a problem throughout the year. As in 1958, it was necessary to purchase substantial quantities of imported beef in order to utilize more fully our processing facilities and manpower.

The working capital of the company was \$28,188,625, an increase of \$3,582,812 over last year. The sum of cash, securities and accounts receivable exceeded current liabilities by \$9,932,835, and all liabilities by \$3,932,835. Management continued a conservative position on capital expenditures, thereby accumulating funds for expansion in favorable profit-opportunity areas, where there are adequate supplies of livestock and a growing population.

The net profit per dollar of sales continues low, as compared with other industries, it being $1\frac{1}{2}$ cents per dollar of sales, and only 50 cents per hundred-weight of product sold.

We continue to price our inventory at the lower of cost or market.

Stockholders' investment in the company at the end of the year was \$40,982,567. Dividends of \$6.00 a share on preferred stock and \$2.50 a share on common stock were paid—a continuous dividend record of thirty-one years.

Consistent with the general trend of having stock ownership on an equal basis with respect to the rights and incidents of ownership, and because of the favorable cash position of the company, your Board of Directors voted on November 24, 1959, to redeem the outstanding 14,454 shares of preferred stock at the next dividend payment date on February 15, 1960. As required by our Certificate of Incorporation, the redemption price will be \$105 per share, plus any dividends accrued on that date.

In order to broaden the ownership of our common stock, particularly by our employees, customers and livestock producers, your Board of Directors voted on November 24, 1959, to recommend to the stockholders that the authorized common stock be increased to 1,300,000 shares and that the issued and outstanding common stock be split on a 2 for 1 basis. These recommenda-

tions will be submitted to stockholders at the regular annual meeting on December 22, 1959, and, if approved, it is expected that they will become effective on January 29, 1960. Also, on November 24, 1959, your Board of Directors voted a quarterly dividend of thirty-five cents a share on the common stock, payable to stockholders of record on January 29, 1960, after giving effect to the stock split. This dividend, payable on February 15, 1960, is conditioned on the approval of the proposed amendments by the stockholders at the regular annual meeting.

The Joint Earnings distribution to the eligible employees—the twenty-first consecutive distribution—amounted to \$1,823,813, 2,098 checks, based on a 40-hour week. In addition, \$1,250,000 will be paid for the employees' pension plans for the year.

The company again made an advance payment of \$1,200,000 on the term loan, reducing the balance to \$6,000,000, with no payment due until November 15, 1960. Other than this term loan, the company had no borrowed money at the end of the year.

In accordance with established and regular orderly procedure under our union agreements, negotiations have been concluded on a package wage increase for a two year period. It is consistent with our policy of paying representative rates in given areas.

The past year will always be remembered in company history because it was during 1959 that we made the one billionth can of SPAM, the product which widened the market for the American farmers' hogs.

As announced in recent national advertising, the company is in the process of marketing a completely new and unusual type of canned meat products—The Famous Foods of the World. They are distinctly different.

A thorough study of our labels, colors and packages is being made to determine those which most effectively attract and appeal to consumers. We hope you have noticed and are pleased with our new Shield and Trademark design, emphasizing the trademark "Hormel," and also our new red and yellow label on our canned meats.

A conservative, but intensified, advertising program of key products has been maintained on a national, sectional and local basis.

In view of the current and anticipated supply of hogs and the improvement in the numbers of cattle coming to market, your company enters the new year with full confidence in its ability to process and distribute the livestock our producers bring to us for conversion into the quality meat products our customers want and expect from Geo. A. Hormel & Company.

We record with sorrow the passing of M. F. Dugan, a Member of The Hormel Foundation, and a former long-time Director and Treasurer of our company.

Again, we want to extend our sincere appreciation for the support and cooperation of our employees, our customers, our livestock producers and our stockholders.

H. H. COREY
Chairman of the Board

R. F. GRAY
President

Geo. A. Hormel & Company

Statement of Financial Position

October 31, 1959

CURRENT ASSETS

Cash	\$ 7,650,445
United States Government securities—at cost which approximates market price	11,674,680
Accounts receivable, less allowance of \$100,000	14,813,426
Inventories of products, livestock, packages and materials—at lower of cost (principally first-in, first-out) or market	18,057,859
Prepaid insurance and other expenses	197,931

Total Current Assets \$52,394,341

CURRENT LIABILITIES

Accounts payable and accrued expenses, in- cluding payrolls, pension trust contribu- tions, etc.	\$18,946,453
Dividends payable November 16	373,337
Federal taxes on income—estimated	4,885,926

Total Current Liabilities 24,205,716

WORKING CAPITAL

\$28,188,625

INVESTMENTS at cost

107,500

PROPERTY, PLANT AND EQUIPMENT

on the basis of cost

Land	\$ 392,626
Buildings (\$17,809,965) and equipment	\$39,176,976
Less allowances for depreciation	21,656,761
Movable equipment—inventoried at cost, less depreciation	773,601

17,520,215

18,686,442
\$46,982,567

LONG-TERM DEBT

Unsecured notes payable to banks, \$1,200,000
due annually on November 15, 1960
through 1963, and on June 30, 1964 ----

6,000,000

STOCKHOLDERS' INVESTMENT (excess
of assets over liabilities)—see opposite page --

\$40,982,567

pany — Austin, Minnesota

Statement of Stockholders' Investment

Fiscal Year (53 Weeks) Ended October 31, 1959

CAPITAL STOCK—no change during the year

Preferred Stock, cumulative, par value \$100
a share:

Authorized 48,935 shares

Issued and outstanding 14,454 shares —
Series A, 6%, to be called at \$105 a
share on February 15, 1960 -----

\$ 1,445,400

Common Stock, par value \$15 a share:

Authorized 600,000 shares

Issued and outstanding 562,650 shares at
aggregate stated capital amount -----

10,230,000

Total October 31, 1959 \$11,675,400

EARNINGS REINVESTED IN BUSINESS

(in addition to amounts transferred to com-
mon stock)

Balance October 26, 1958 ----- \$24,961,412

Net earnings for the year ----- 5,839,104

\$30,800,516

Deduct cash dividends:

On preferred stock—

\$6.00 a share ----- \$ 86,724

On common stock—

\$2.50 a share ----- 1,406,625 1,493,349

Balance October 31, 1959 (under provisions
of long-term debt agreement \$16,005,620
not available for cash distributions on com-
mon stock) -----

29,307,167

TOTAL STOCKHOLDERS' INVESTMENT

\$40,982,567

STATEMENT OF EARNINGS

Geo. A. Hormel & Company

Fiscal Year (53 Weeks) Ended October 31, 1959

SALES (less returns and allowances) -----			\$401,722,839
COST, EXPENSES AND TAXES			
Cost of products sold, selling, delivery, administrative and general expenses, exclusive of items shown separately -----		\$314,545,471	
Provision for depreciation -----		2,164,621	
Sundry charges (including interest expense of \$556,700) less sundry income ----		352,566	
Wage costs:			
Wages and salaries, including joint earnings	\$66,685,188		
Pension trust contributions -----	1,250,000		
Federal and state unemployment and old age contributions -----	1,235,397		
Group life, hospitalization and sick leave --	<u>1,983,155</u>	71,153,740	
Taxes:			
State income, property and other taxes ----	\$ 1,742,337		
Federal taxes on income (estimated) -----	<u>5,925,000</u>	<u>7,667,337</u>	<u>395,883,735</u>
NET EARNINGS -----			<u>\$ 5,839,104</u>

FINANCIAL INFORMATION

(In thousands of dollars)

	1959	1958	1957	1956	1955
Sales -----	\$401,723	\$373,181	\$347,989	\$333,035	\$350,245
Net earnings -----	5,839	3,000	3,315	5,126	3,821
Wage costs -----	71,154	63,828	61,357	61,318	56,210
Total taxes -----	7,667	4,462	4,336	6,286	5,395
Depreciation -----	2,165	2,105	2,061	1,957	1,869
Properties (net) ----	18,686	19,126	19,863	19,447	18,977
Working capital ----	28,189	24,606	23,667	23,461	21,370
Stockholders' investment -----	40,983	36,637	35,130	33,308	29,547

Sales tonnage (million pounds)	1,167	1,001	1,060	1,157	1,154
Net earnings to:					
Sales -----	1.5%	.8%	1.0%	1.5%	1.1%
Sales tonnage (cwt.) -----	50¢	30¢	31¢	44¢	33¢
Per share earnings on common stock (adjusted) -----	\$10.22	\$5.18	\$5.74	\$8.96	\$6.64

ACCOUNTANTS' REPORT

To the Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the financial statements of Geo. A. Hormel & Company for the fiscal year (53 weeks) ended October 31, 1959. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Statements of Financial Position, Earnings, and Stockholders' Investment present fairly the financial position of Geo. A. Hormel & Company at October 31, 1959 and the results of its operations for the fiscal year (53 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Minneapolis, Minnesota
November 24, 1959



